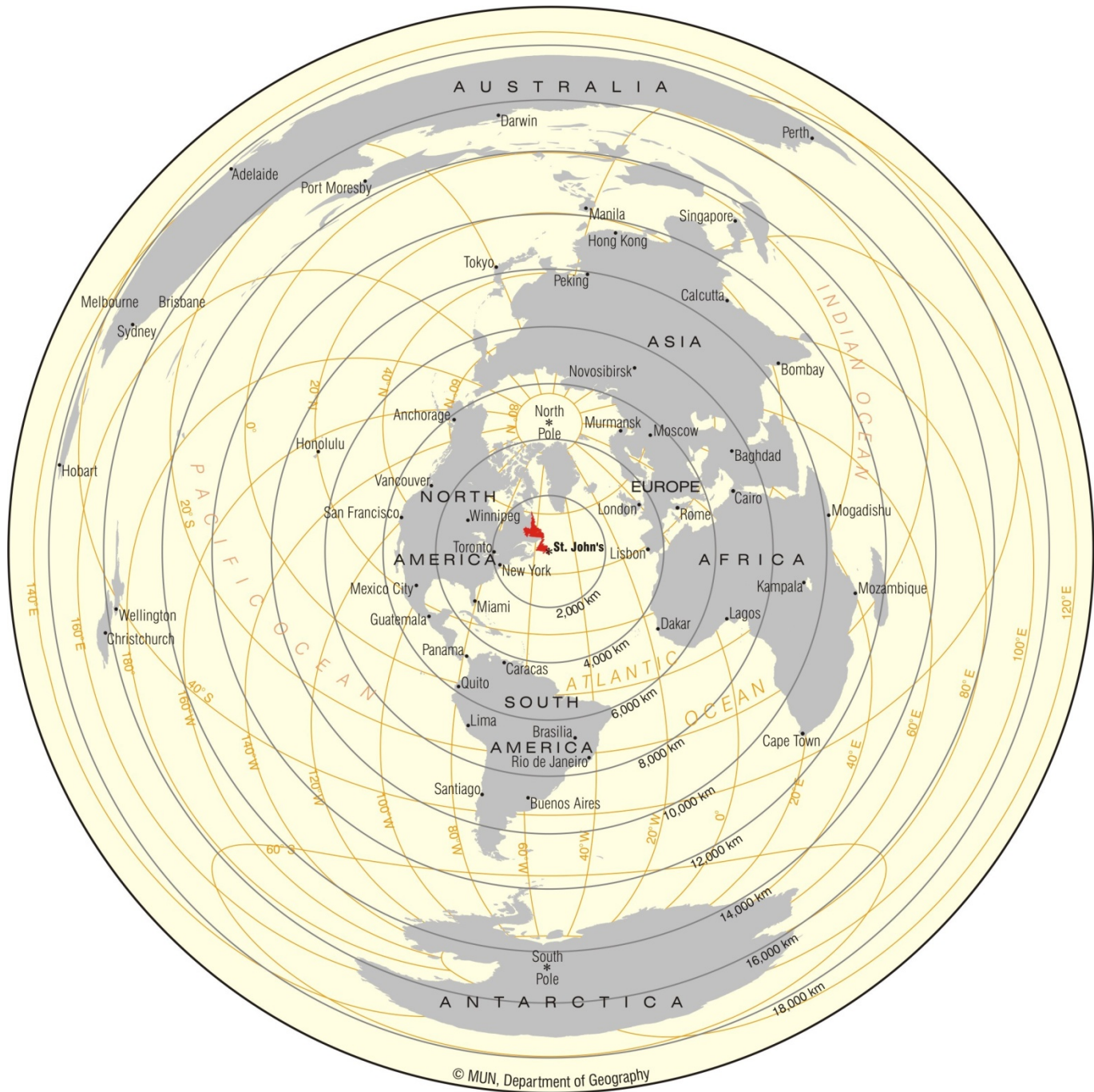


# **Industrial Benefits Planning in North America: Current Practice and Case Studies**

**Keith Storey and Mark Shrimpton**

**Presentation to the Seminar  
Regional Planning in Greenland  
23-24 January 2008 Nuuk, Greenland**



# **Industrial Benefits Planning (IBP): Overview**

- **Nature of IBP**
- **Influences on approaches to IBP**
- **IBP Tools**
- **North American case studies**

# **Industrial Benefits Planning**

- **Objective**
  - **Maximize sustainable social and economic project benefits to the local region and local groups**
- **Focus**
  - **Not solely through royalties and taxes**
  - **Through project expenditures on local employment, business and infrastructure**

# Approach Elements

## 1 Cooperation, Collaboration, Education

- **Education and engagement**
  - **Government and community**
    - expectations management
    - inform thinking
  - **Proponent**
    - political, economic, social, cultural context
    - local capabilities, values, aspirations
- **Benefits opportunities based on**
  - **Proponent's requirements**
  - **Local context**
  - **Local priorities**

# Approach Elements

## 2 -- Build on existing strengths

- Existing strengths provide initial base
- Project uncertainties
- Building capacity in existing areas
  - minimize risk
  - strengthen existing industry areas

# Approach Elements

## 3 Targeting diversification and sustainability

- construction projects short-term
- scale often exceeds local capacities
- potential for ‘boom and bust’
- risk of unused/underused facilities
- training investments not justified
- labour shortages -- FIFO and Fly-over
- sustainability -- create value in other sectors/export markets

# Approach Elements

## 4 Emphasizing Quality

### – resource industries

- increasingly technology oriented
- operations in remote/sensitive environments
- accidents/failures costly

### – HSEQ requirements more demanding

- high quality expertise, equipment, liability coverage
- constraint/challenge to local firms
- capability to be competitive in other sectors/places
- increased capability, confidence, ambition



# Approach Elements

## 5 Fostering research and development

- **new capabilities based on responses to local challenges**
  - **Newfoundland -- cold oceans engineering**
  - **C-Core**
  - **Petroleum Research Atlantic Canada**
- **Link project R&D with regional strategies to develop R&D clusters**
  - **Oceans Advance -- ocean technology cluster**
  - **NRC Ocean Technology Centre**

# **IBP Tools**

- **Environmental Assessment**
  - **SEIAs**
  - **Environmental Protection Plans**
- **Benefits Plans**
  - **Supplier development**
  - **Procurement**
  - **Education, training, hiring, succession planning**
  - **Technology transfer**

# IBP Tools

- **Special Interest Plans**
  - IBAs
  - Diversity/Equity Plans
- **Human Resources, Infrastructure, Business Studies**
  - Gap analysis
  - Requirements/capability analysis
- **Multi-project Scenarios**
  - Strategic Assessment
  - Cumulative effects assessment
  - Legislation
    - Newfoundland Offshore Amendment 1977



## Newfoundland Offshore Oil Industry



**Newfoundland Offshore Oil Industry**

# **Newfoundland Offshore Oil Industry**

- **Project**
  - **1979-2008: discovery, approval, construction, operation of 3 fields (\$10.35 b)**
- **Benefits Initiatives**
  - **NL poorest Canadian province**
    - **High levels of economic dependence**
  - **1985 Federal-Provincial Accord**
    - **Employment and business benefits**
      - **Benefits Plans**
      - **Federal infrastructure, skills, business investments**

# **Newfoundland Offshore Oil Industry**

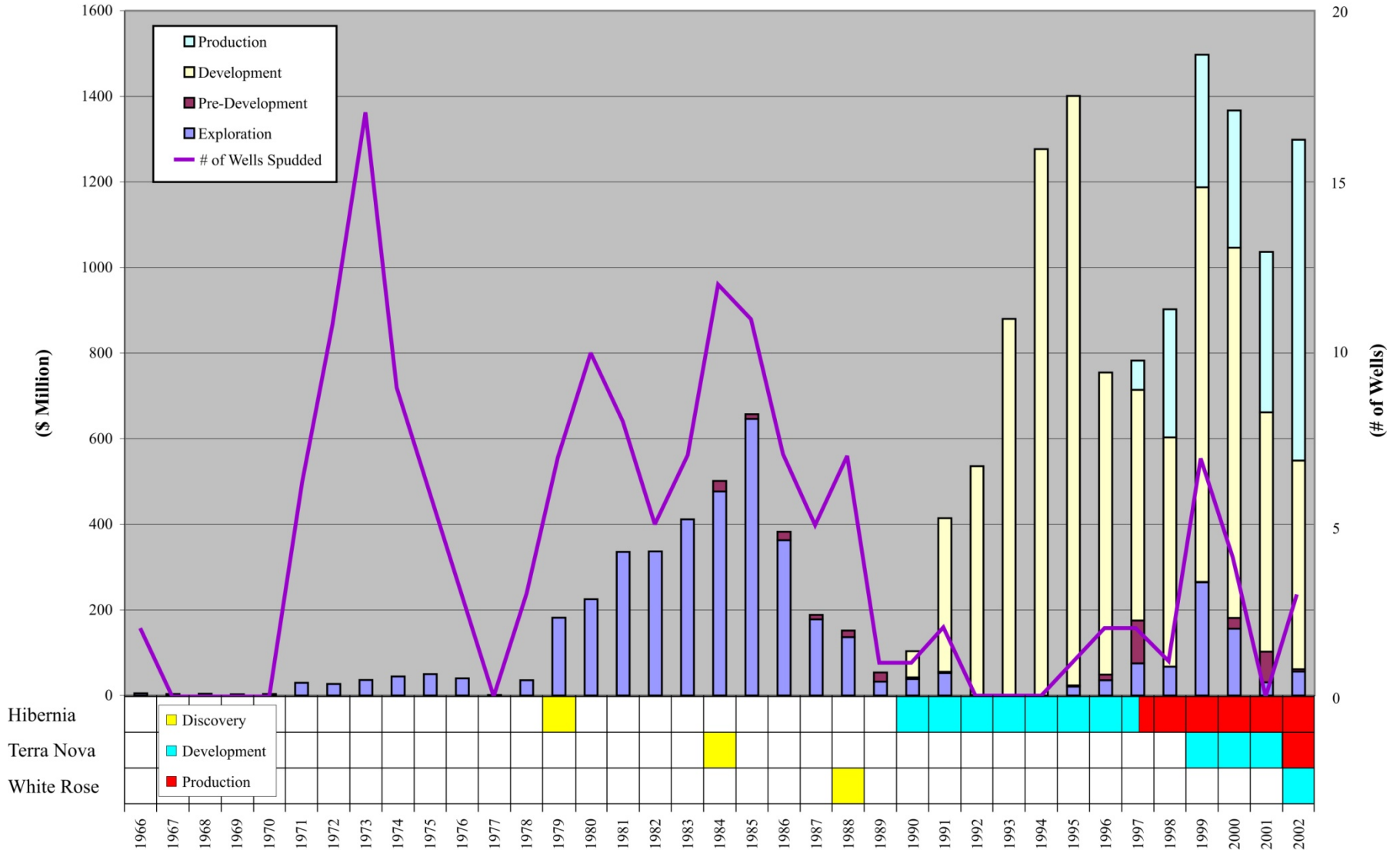
- **Outcomes**
  - **2005 24.3% GDP from offshore oil**
  - **5,600 direct pers/yrs employment**
  - **11,700 indirect**
  - **7.6% personal income**
  - **6.4% retail sales**
  - **Education, R&D, infrastructure growth**
  - **Business practices, entrepreneurship**

# **Newfoundland Offshore Oil Industry**

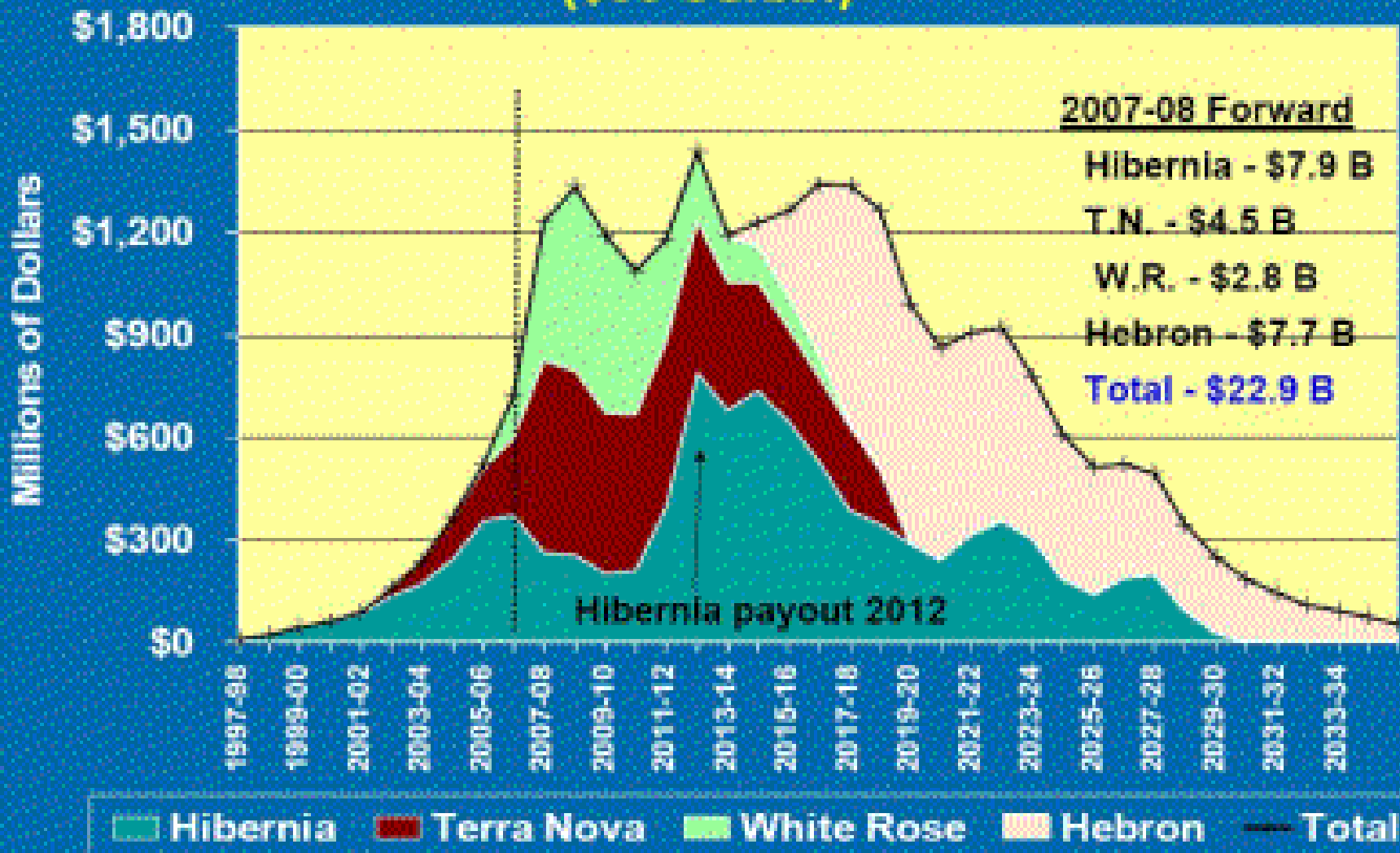
- **Lessons**
  - **Significant industrial benefits generated**
  - **Proponents must have a ‘benefits culture’**
  - **More engineering and project design done locally**
  - **Fragility and sustainability of sector**



**Figure 1: Newfoundland and Labrador Offshore Area Expenditures (1966 to 2002)**



## Provincial Oil Revenue - Fiscal Year Estimates (\$50 US/bbl)



NL should be a "have" province within 5 years & Atlantic Accord may not be extended. The implications of the latter needs to be analyzed.



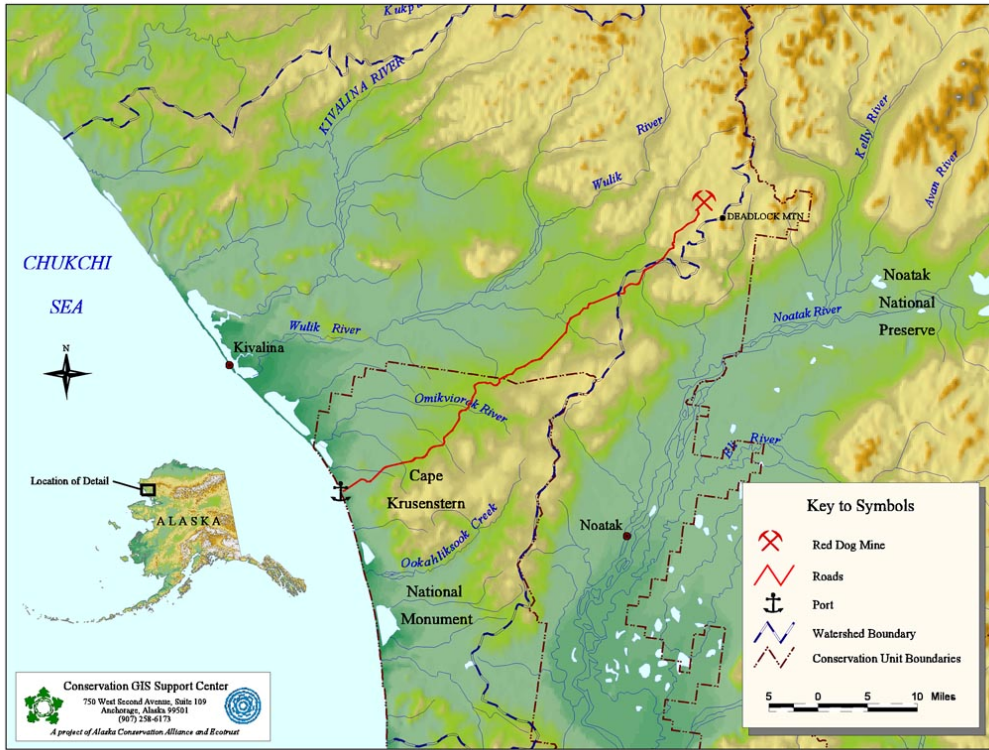
## Ekati Diamond Mine, NWT

# **Ekati Diamond Mine, NWT**

- **Project**
  - **Discovered 1991, approved 1996, opened 1998**
  - **300 km NE Yellowknife, access only by air/winter ice road**
  - **Cost \$2.5 billion, 1500 construction workers, 1250 operations**
- **Benefits Initiatives**
  - **Socio-economic Agreement with GNWT**
  - **Four IBAs with Aboriginal groups**
    - **Employment targets**
    - **Training**
    - **Scholarships**
    - **Business opportunities**
    - **Annual payments**

# **Ekati Diamond Mine, NWT**

- **Outcomes**
  - **Employment**
    - **42% aboriginal**
    - **60% northern**
- **Lessons**
  - **Success despite initially hostile attitudes**
    - **Strong company commitment**
    - **Willingness of local people to collaborate**



**Red Dog Zinc Mine, Alaska**

# Red Dog Zinc Mine, Alaska

- **Project:**
  - **Joint Venture NANA and Cominco**
  - **1.2 m tonnes zinc/lead p.a. (6% world zinc)**
  - **360 employees**
- **Benefits Initiatives**
  - **Development/Operating Agreement 1982**
    - **Preferential hiring**
    - **Training programs**
    - **Cash payments in lieu of taxes**
    - **Support of joint business ventures**
    - **Subsistence Committee**
    - **Variable roster system**

# Red Dog Zinc Mine, Alaska

- **Outcomes**
  - **60% employees, 100% trainees NANA shareholders**
  - **JVs provide mine services, employ Inupiat**
- **Lessons**
  - **Difficulties**
    - **mine requirements/local labour skills, aspirations**
    - **Retention of payroll in NW Alaska**
  - **Success in delivering benefits**
    - **Land/resource owned by NANA Corp. and Inupiat**





**Vancouver Island Highway Project, BC, Canada**

# **Vancouver Island Highway Project**

- **Project**
  - **1994-2000 250 km divided highway**
  - **7 year construction period**
  - **Cost \$1.2 billion**
- **Benefits Initiatives**
  - **Women and Aboriginal employment priority**
  - **OJT initiative \$2 million**
  - **Diversity seminars for contractors/ supervisors**
  - **Ongoing evaluation**

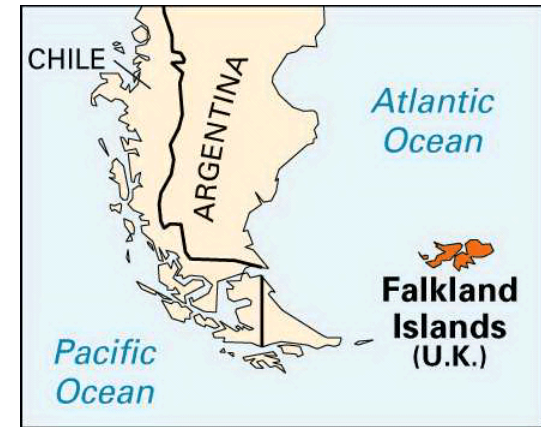
# **Vancouver Island Highway Project**

- **Outcomes: Employment 1994-1999**
  - **Women 2.2-8.4%**
  - **Aboriginals 5.3-8.9%**
  - **All equity workers 8.3-17.8%**
  - **Local hires 93%**
- **Lessons**
  - **Project under budget/on time**
  - **Greater impact if:**
    - **Training in place earlier**
    - **Apprenticeship system put in place**
    - **Tender documents more equity/training specific**

# Falkland Islands

## Marine Support

- **6-well offshore oil exploration program**
  - Few direct benefits
  - Limited industrial base, small population, full employment
- **Project**
  - Development of marine supply and support infrastructure
- **Short term benefits**
  - Service/supply oil industry
- **Long term benefits**
  - Service/supply squid-fishing fleet



# Hibernia Construction Camp Business Services

- **3,500 person workcamp**
- **Mobil proposed single camp-services contract**
- **No competitive local companies**
- **Smaller bid packages**
  - **Catering, cleaning, security, commissariat**
- **Many contracts secured by local companies**



# P.E.I. Industrial Tourism

- Confederation Bridge
- 13 km bridge PEI – New Brunswick
- Construction site tours, visitor centre, souvenirs
- Local employment and revenue generation



# Conclusions

- **IBP relatively new and evolving field**
- **IBP does not necessarily increase costs**
- **Caution**
  - **Context is key**
  - **Plans -- ‘fit-for purpose’**
  - **Commitment -- time, resources**
- **Increasingly effective as regional development tool**

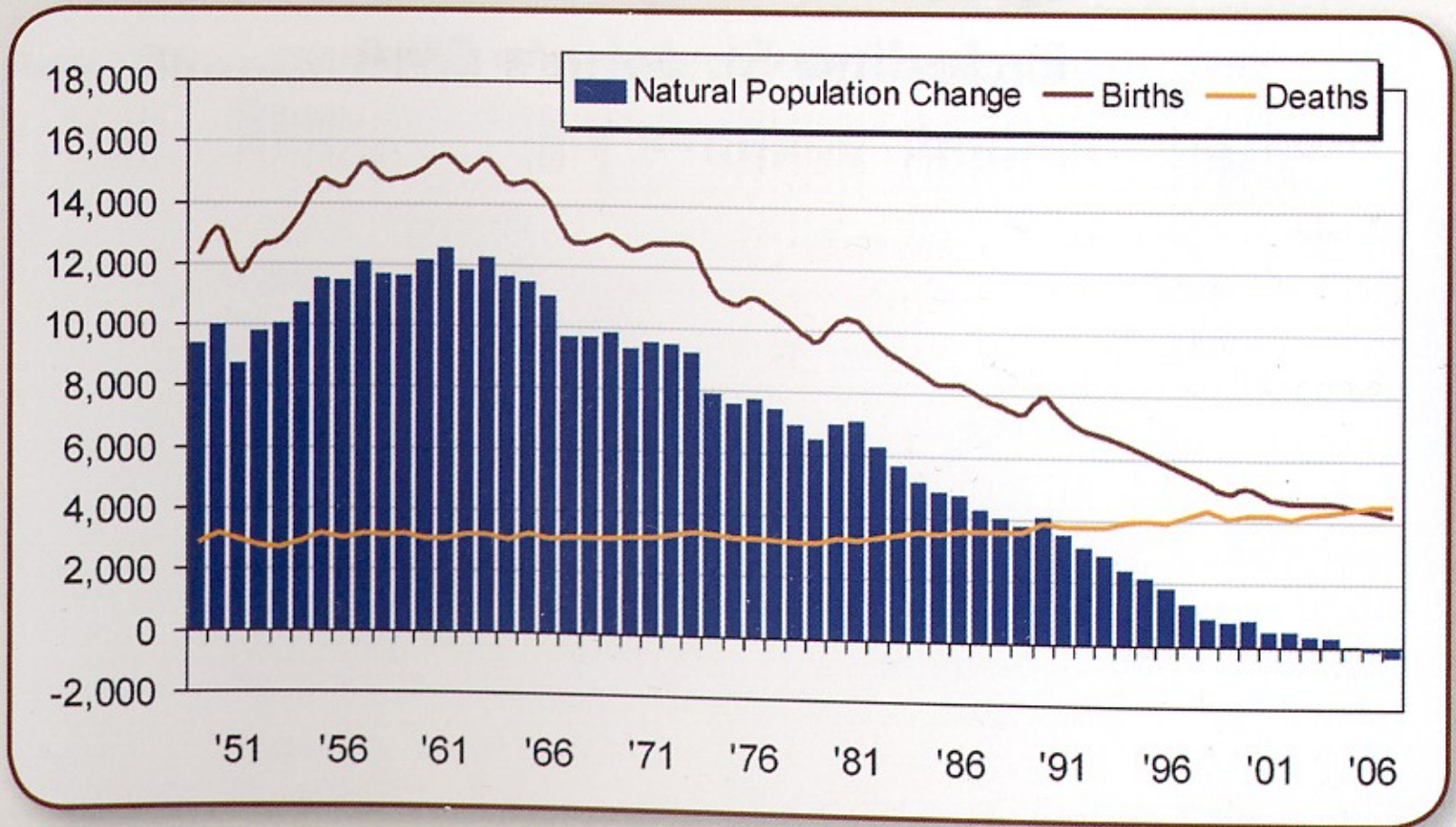
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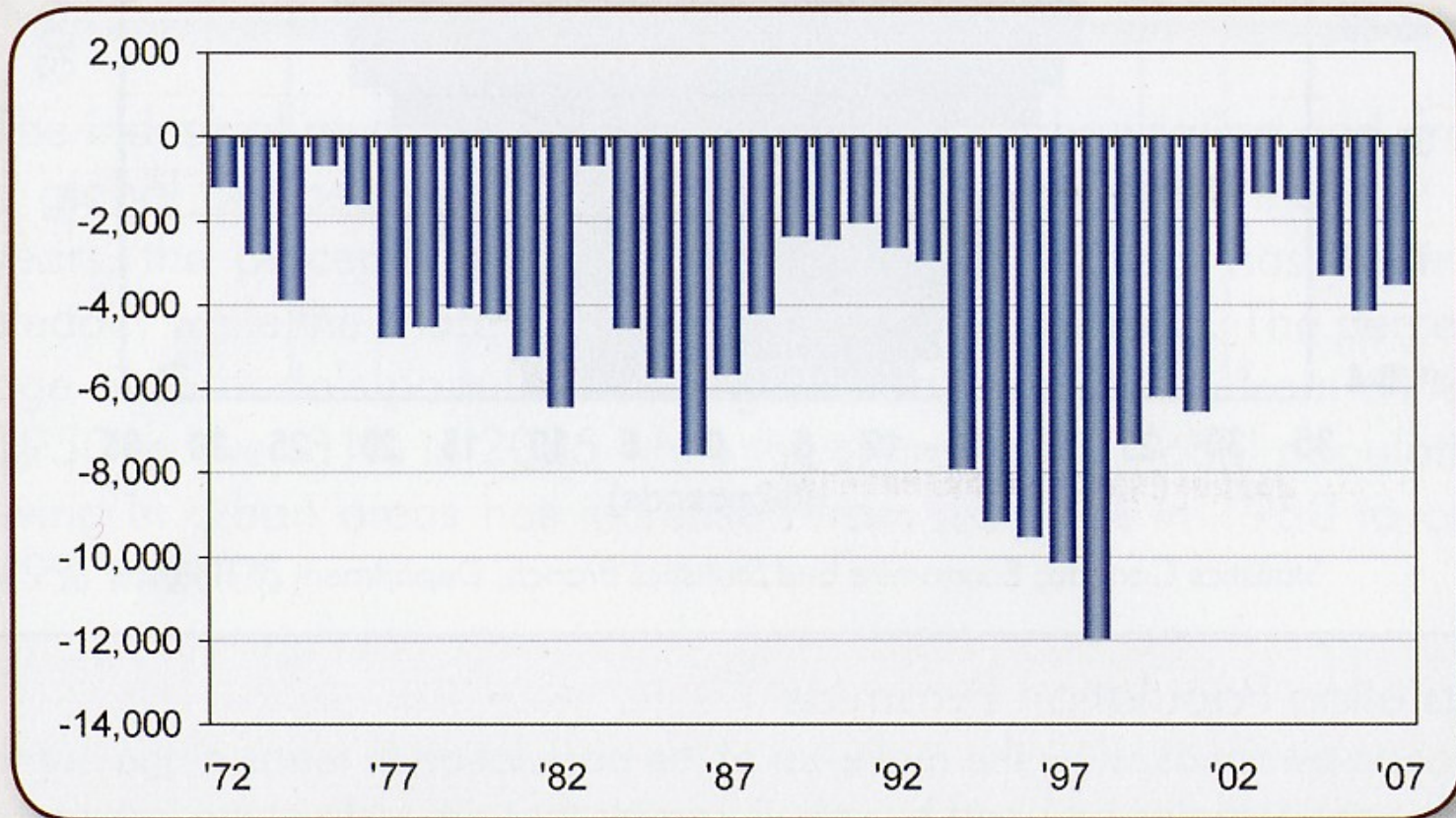


# Natural Population Change

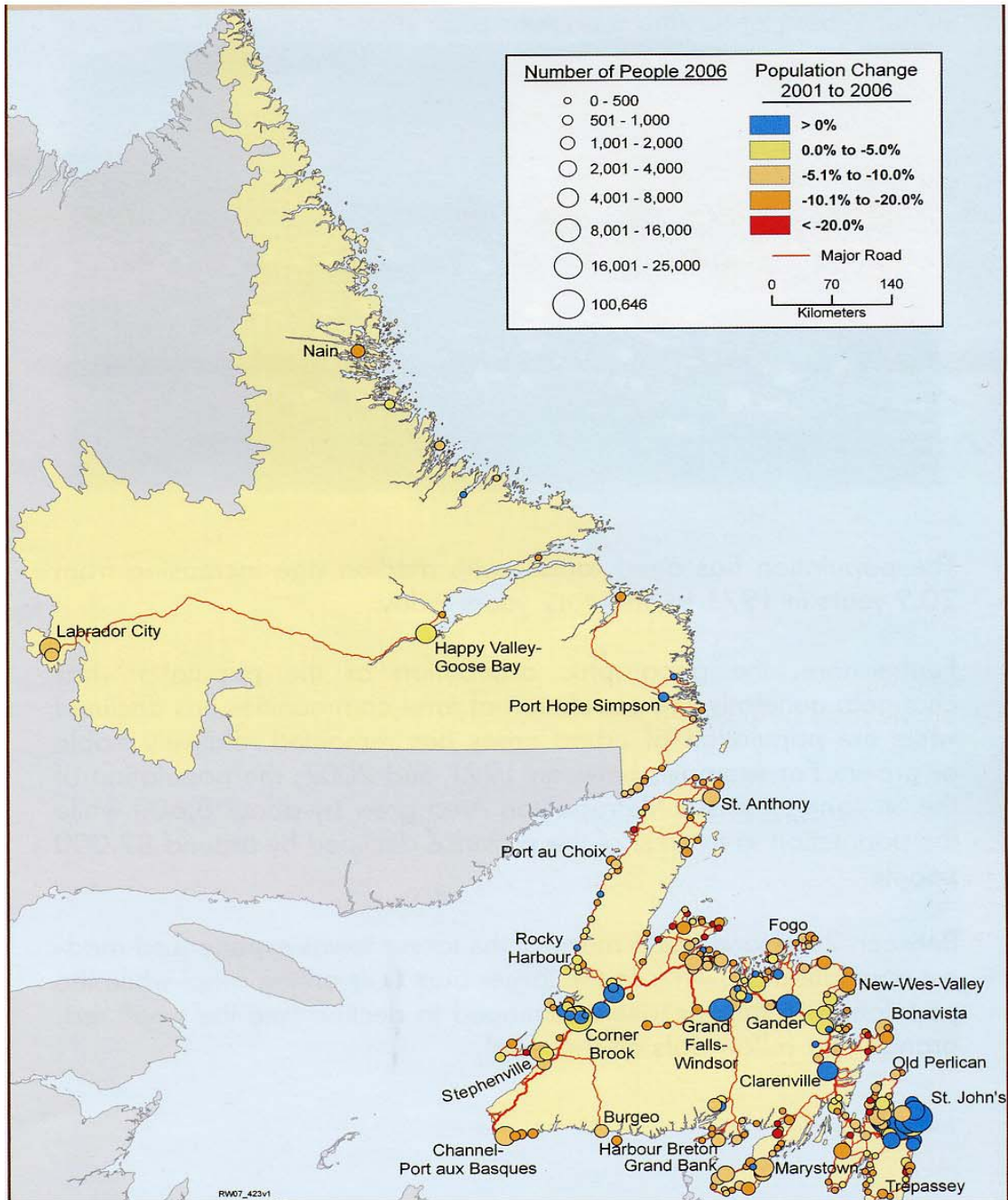


Statistics Canada; Economics and Statistics Branch, Department of Finance

## Total Net-Migration



Statistics Canada; Economics and Statistics Branch, Department of Finance





# Hibernia Production Platform Construction

